Baillie Gifford™

Baillie Gifford Sustainable Growth Fund

30 June 2024

About Baillie Gifford

Philosophy	Long-term investment horizon A growth bias Bottom-up portfolio construction High active share
Partnership	100% owned by 58 partners with average 20 years' service Ownership aligns our interests with those of our clients Enables us to take a thoughtful, long-term view in all that we do Stability, quality and consistency

Investment Proposition

The Fund invests in an actively managed portfolio of stocks from around the world with the intention of delivering significantly higher returns than the MSCI ACWI Index. We focus on companies that are sustainable in both senses of the world, delivering enduring growth and enduring good for society. We typically hold 55-80 stocks and seek to outperform the MSCI ACWI by 2-3% per annum over rolling five year periods (the stated objective is in no way guaranteed). Our research framework ensures that we avoid companies whose products or behaviours may cause significant harm to society, or where the company does not deserve our trust.

Fund Facts

Fund Launch Date	07 December 2015
Fund Size	£521.3m
IA Sector	Global
Active Share	90%*
Current Annual Turnover	21%
Current number of stocks	59
Stocks (guideline range)	55-80

*Relative to MSCI ACWI Index. Source: Baillie Gifford & Co, MSCI.

Fund Manager

Name	Years' Experience
Toby Ross*	18
Katherine Davidson	16

*Partner

Fund Objective

To outperform (after deduction of costs) the MSCI ACWI Index, as stated in sterling, by at least 2% per annum over rolling five-year periods.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Global Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Periodic Performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Acc (%)	-0.9	9.5	-9.9	6.2
Index (%)*	2.9	20.6	9.1	11.4
Target (%)**	3.5	23.0	11.3	13.7
Sector Average (%)***	0.7	14.9	5.1	9.0

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Index is calculated close-to-close.
Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund. This adjustment will affect relative performance, either positively or negatively.
*MSCI ACWI Index.
**MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.
***IA Global Sector.

Discrete Performance

	30/06/19-30/06/20	30/06/20-30/06/21	30/06/21-30/06/22	30/06/22-30/06/23	30/06/23-30/06/24
Class B-Acc (%)	33.0	39.2	-37.9	7.6	9.5
Index (%)*	5.7	25.1	-3.7	11.9	20.6
Target (%)**	7.9	27.6	-1.8	14.2	23.0
Sector Average (%)***	5.4	25.9	-8.8	10.8	14.9

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.
Share class returns calculated using 10am prices, while the Index is calculated close-to-close.
Baillie Gifford operates a single swinging price for the Fund and, therefore, may apply a dilution adjustment to the price to protect long-term investors from the costs associated with buying and selling underlying investments that result from other investors joining or leaving the Fund. This adjustment will affect relative performance, either positively or negatively.
*MSCI ACWI Index.
**MSCI ACWI Index (in sterling) plus at least 2% per annum over rolling five-year periods.
***IA Global Sector.

Market environment

Global equity markets had a decent quarter, continuing to be led by the technology and communication sectors. Large-cap stocks in particular did well, and the previously dubbed ‘Magnificent 7’ continued their strength, with the exception of Tesla, which saw its shares weaken slightly.

Markets remain optimistic that interest rate cuts will come later in the year.

Performance

The Fund has lagged the MSCI ACWI Index over the period. Some of the life sciences and biotech names are continuing to face near-term challenges. Illumina experienced a difficult 2023 after its attempt to acquire cancer diagnostics business GRAIL without regulator consent. Despite the announcement that management will be divesting fully from the acquisition by the end of this quarter, the market remains sceptical. We take a different view. This is a positive step in the right direction for a company that is the leader in gene-sequencing - an area that is acting as one of the primary gateways to unlocking future healthcare innovations and treatments. It continues to innovate, recently releasing its 'fastest, highest quality, and most robust sequencing by synthesis chemistry to date’ and has launched a more cost-effective technology that will effectively help to understand and resolve the most complex areas of the genome.

Sartorius Stedim Biotech is enabling biologic drug advancement by providing equipment that is less energy intensive than reusable equipment. The last 18 months have tested our patience as long-term shareholders. Two profit warnings, one large acquisition, and a recent miss on results, have seen the share price remain weak. However, there are some early signs of recovery seeping through. Orders were up by more than 10% in all regions except China – where a clampdown on drug pricing is contributing to a weak Chinese biopharma market. And its consumables sector has seen a faster recovery than expected, which is a positive sign for the destocking of inventory we’ve seen post-pandemic.

Elsewhere, TSMC, the world’s largest semiconductor chip foundry had a strong quarter. It serves the major tech giants and hyperscalers that are leading the ‘Artificial Intelligence (AI) era’ and is responsible for around 90% of AI chip manufacturing. Year-to-date, the share price is up over 60%. Investors reacted positively to the announcement made by NVIDIA's CEO at the beginning of June that it is accelerating its product upgrade cycle from two years to one. As its second-largest customer, NVIDIA's news propelled TSMC's share price upwards. Also having a positive impact was the announcement of a share repurchase programme to buy back 3.2 million shares. This was completed by the end of June, far earlier than the early-August deadline set by the company. We believe TSMC's technological leadership, superior scale, and recent capital expenditure to build capacity and investment in the development of more advanced chip technology, will support revenue growth in the coming years.

Alphabet has also contributed to performance this quarter. As well as better-than-expected results, it also announced its first-ever dividend, and a $70bn share buyback. Revenues generated from advertising have positively surprised, with YouTube in particular helping to support the growth. And demand for cloud-based AI services also continues to gain traction. To double earnings over the next decade, it will require a big contribution from this segment, and thus is a key factor for us to track over time.

Engagement

One of our firmwide Stewardship Principles is ‘governance fit for purpose’. We take this a step further within the Fund by asking a series of questions prior to purchase that help us to understand our trust in management, their levels of ambition, and what our engagement priority should be going forward.

A common topic of discussion related to this, is better understanding a company’s board make-up. We want to ensure that a company is run effectively by experienced, diverse, and aligned individuals.

We recently had a call with Moderna's chief legal officer to better understand the board’s approach to refreshment after several years of challenge. We were encouraged during our discussion to hear that board refreshment should be expected within the next 12 months. The existing board has identified three areas in particular where it would like to strengthen expertise - pharmaceuticals, responsible AI, and government affairs.

We had a similar discussion with Nintendo. It has recently added a new board member with experience in merchandising – an area previously identified as a gap in knowledge. We see this as a step in the right direction, but progress could still be made in terms of expanding the proportion of outside directors to provide effective challenge.

Notable transactions

Turnover remains at normal levels. Over the period, there have been two new purchases and two complete sales.

We have exited positions in Samsung SDI and Tesla. Both have been due to increasing doubts about growing competition in their relevant industries (battery technology and electric vehicles, respectively) and their ability to realise attractive long-term returns.

Capital has been recycled into two diverse new stocks entering the Fund.

The first is Epiroc, a manufacturer of mining equipment with a focus on electrification and automation, contributing to the partial decarbonisation of some of the worst emitting (but vital) industries.

The second, is Raia Drogasil. This is Brazil's leading pharmacy chain which is not only serving an increasing middle class population but continues to expand its services in a fragmented market.

Market Outlook

While the numbers don't currently reflect it, we believe that the Fund is primed to go from strength to strength. And its growth prospects are underpinned by the diversity of long-term trends that it is exposed to – many of which are beyond the obvious. It is this strength that supports a three-year earnings forecast which is superior to the index. Crucially, the Fund is in robust health today. An overwhelming majority of holdings are free cash or earnings-per-share positive, and significantly less reliant on debt funding than the market average.

We know that performance isn't where clients, or ourselves, would like it to be. But we also know that when, not if, the market broadens out, the Fund, with its wide-angled view of overlooked growth opportunities, is in prime position to reap the rewards.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 30 June 2024

Stock Name	Contribution (%)
TSMC	0.6
Recruit Holdings	0.5
Spotify	0.3
New York Times Co	0.2
Texas Instruments	0.2
Atlas Copco	0.2
MercadoLibre	0.2
Staar Surgical	0.1
Warby Parker (JAND)	0.1
The Trade Desk	0.1
Illumina	-0.9
Sartorius Stedim Biotech	-0.8
Apple	-0.7
Workday	-0.5
Eurofins	-0.5
IMCD	-0.5
Inspire Medical Systems	-0.4
Wise	-0.4
NVIDIA	-0.4
Exact Sciences	-0.3

One Year to 30 June 2024

Stock Name	Contribution (%)
Spotify	1.2
TSMC	0.9
Recruit Holdings	0.9
Apple	0.4
MercadoLibre	0.4
Adevinta	0.4
Wabtec	0.3
Atlas Copco	0.3
Advanced Drainage Systems	0.3
Beijer, G & L AB	0.2
Illumina	-1.3
DSV	-1.1
Prudential	-1.0
Marketaxess	-0.8
AIA	-0.8
Exact Sciences	-0.8
Nibe Industrier	-0.8
Sartorius Stedim Biotech	-0.8
Samsung SDI	-0.7
Eurofins	-0.6

Source: Revolution, MSCI. Baillie Gifford Sustainable Growth Fund relative to MSCI ACWI Index.
Some stocks may only have been held for part of the period.
All attribution figures are calculated gross of fees, relative to the Index from stock level up, based on closing prices.
As Attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio. See the List of Holdings section of this report for the stocks held.

Transactions from 01 April 2024 to 30 June 2024.

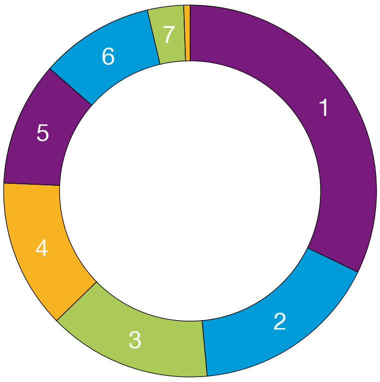
New Purchases

Stock Name	Transaction Rationale
Epiroc	Epiroc makes mining equipment with a focus on electrification and automation, contributing to the partial decarbonisation of some of the worst emitting (but vital) industries, and the reduction of health and safety risks in dangerous environments. It has a powerful adaptable culture inherited from its previous parent company, Atlas Copco (also held in the Fund). The investment case is underpinned by powerful structural trends such as the need for materials to support increasing populations, urbanisation, and the requirement to upgrade infrastructure. Epiroc enjoys operating as part of a duopoly. While competition is emerging as more players are seeking to benefit from sector tailwinds, Epiroc's significant scale, strong reputation, high returns and margins, diversified business model, and impressive culture, will enable it to continue to lead the industry and steadily grow earnings over the next decade.
Raia Drogasil	Raia Drogasil is Brazil's leading pharmacy chain, with a long track record for share gains and profitable growth under the stewardship of its founding families. The company's future financial success and societal contribution both depend on the value proposition for customers. This increasingly goes beyond access to medicine and into areas such as healthcare services and loyalty programs. Expanding the service offering strengthens its edge of differentiation among peers and will drive footfall in a market that is very fragmented. Furthermore, it will also benefit from income growth and expansion of the middle class in Brazil. Management has a superb track record for strategic decision-making and execution, investing early and heavily in e-commerce for example, helping to sustain its leadership position. Raia plays a key role in the under-resourced Brazilian healthcare system and we have taken a new holding for clients.

Complete Sales

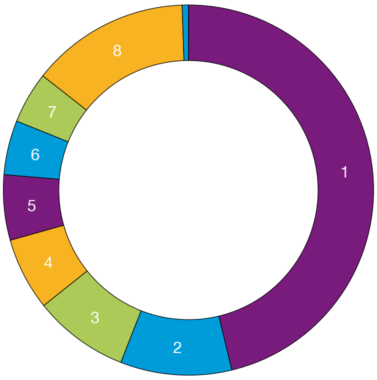
Stock Name	Transaction Rationale
Samsung SDI	We have sold the holding in Samsung SDI (SDI), following a review of overall exposure to industrials in the Fund. SDI plays a pivotal role in the energy transition by developing and supplying critical battery technology, and it enables and enhances the utilisation of both renewable energy sources and electric vehicles. The industrials review highlighted weakness in SDI's business model, identifying a lack of diversification in the customer base and a high level of capital intensity when compared to peers in the sector. This reduces our chances of realising attractive long-term returns for clients. While SDI's battery business has continued to grow strongly, so has much of the rest of the industry, and we believe there is a risk that supply growth is likely to outpace demand over the next few years.
Tesla Inc	We have made the decision to move on from Tesla. It has been one of the top-performing holdings since the inception of the strategy, paving the way for decarbonisation in a key sector and acting as an important accelerant, forcing incumbents to keep up in the Electric Vehilce (EV) race. However, we have growing concerns about the outlook for the EV manufacturer due to increasing competition and over-supply in a sector that is still lacking the infrastructure to support growth. Its product pipeline is uninspiring and serious competition has been emerging at pace, particularly in China (Tesla's second-largest market). Furthermore, we have mounting questions about governance at the company, where various issues are increasingly distracting from the firm's original mission. We think that it may be more challenging for Tesla to deliver the growth required to meet our expectations over the coming five years.

Sector Exposure



		%
1	Industrials	32.2
2	Information Technology	16.4
3	Consumer Discretionary	14.2
4	Health Care	13.0
5	Communication Services	10.8
6	Financials	9.9
7	Consumer Staples	3.1
8	Cash	0.5

Geographic Exposure



		%
1	United States	46.2
2	Sweden	9.7
3	Japan	8.3
4	UK	6.3
5	France	5.7
6	Brazil	4.7
7	Taiwan	4.5
8	Others	13.9
9	Cash	0.5

As well as cash in the bank, the cash balance includes unsettled cash flows arising from both shareholder flows and outstanding trades. Therefore, a negative balance may arise from timing differences between shareholder flows and security trading, and does not necessarily represent a bank overdraft.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
TSMC	Semiconductor manufacturer	4.5
MercadoLibre	Latin American e-commerce and fintech platform	3.8
Alphabet	Search platform, software, cloud services and more	3.4
Recruit Holdings	Property, lifestyle and HR media	3.4
Beijer, G & L AB	Wholesaler of cooling technology and HVAC	3.4
Atlas Copco	Manufacturer of industrial compressors	2.9
Texas Instruments	Analog semiconductors	2.9
UnitedHealth Group	Health care company	2.9
Illumina	Gene sequencing equipment and consumables	2.7
Mastercard	Global electronic payments network and related services	2.6
Total		32.5

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	45	Companies	13	Companies	4
Resolutions	590	Resolutions	53	Resolutions	4

Company Engagement

Engagement Type	Company
Environmental	Beijer Ref AB (publ), Bridgestone Corporation, Carlisle Companies Incorporated, HDFC Life Insurance Company Limited, NVIDIA Corporation, Nintendo Co., Ltd., Spirax Group plc, Taiwan Semiconductor Manufacturing Company Limited
Social	HDFC Life Insurance Company Limited, Spirax Group plc, Taiwan Semiconductor Manufacturing Company Limited
Governance	Beijer Ref AB (publ), Cognex Corporation, Dassault Systèmes SE, Denali Therapeutics Inc., Epiroc AB (publ), HDFC Life Insurance Company Limited, IMCD N.V., Illumina, Inc., Metso Oyj, Moderna, Inc., Nintendo Co., Ltd., Recruit Holdings Co., Ltd., STAAR Surgical Company, Taiwan Semiconductor Manufacturing Company Limited, Texas Instruments Incorporated, The Trade Desk, Inc., UnitedHealth Group Incorporated, Wise Payments Ltd
Strategy	AIA Group Limited, Beijer Ref AB (publ), Denali Therapeutics Inc., MercadoLibre, Inc., Nintendo Co., Ltd., Spirax Group plc

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, here.

Asset Name	Fund %
TSMC	4.5
MercadoLibre	3.8
Alphabet	3.4
Recruit Holdings	3.4
Beijer, G & L AB	3.4
Atlas Copco	2.9
Texas Instruments	2.9
UnitedHealth Group	2.9
Illumina	2.7
Mastercard	2.6
Watsco	2.5
Spotify	2.4
NVIDIA	2.2
Workday	2.2
L'Oréal	2.2
Wabtec	2.1
Experian	2.0
Amazon.com	2.0
The Trade Desk	2.0
Advanced Drainage Systems	1.9
New York Times Co	1.9
Prudential	1.9
DSV	1.9
MSA Safety	1.8
Shopify	1.7
Cognex Corp	1.7
MarketAxess	1.7
IMCD	1.6
Kubota	1.6
Eurofins	1.6
Starbucks Corp	1.4
Bridgestone	1.4
Metso	1.4
adidas	1.3
HDFC Life Insurance	1.3
Spirax Sarco	1.3
Carlisle Companies	1.3
Schneider Electric	1.3
AIA	1.3
Warby Parker (JAND)	1.2
Wise	1.1
Dassault Systemes	1.1
Waters	1.1
Sartorius Stedim Biotech	1.1
Nintendo	1.1
Epiroc	1.0
Raia Drogasil	1.0
Rakuten	0.9
STAAR Surgical	0.9
YETI Holdings	0.8
Centre Testing International	0.8
Moderna	0.8
Denali Therapeutics	0.7
Inspire Medical Systems	0.7
Meituan	0.6
Exact Sciences	0.6
JD.com	0.4
Savers	0.4
Abiomed CVR Line*	0.0
Cash	0.5
Total	100.0

Please note the fund information contained within this document is proprietary information and should be maintained as such and not disseminated. The content is intended for information purposes only and should not be disclosed to other third parties or used for the purposes of market timing or seeking to gain an unfair advantage.

*Abiomed was acquired in December 2022 by Johnson and Johnson. Holders received a cash allocation plus non-tradable contingent value rights (CVRs).

Share Class	Share Class Inception Date	ISIN	SEDOL	Annual Management Fee (%)	Ongoing Charge Figure (%)
Class B-Acc	07 December 2015	GB00BYNK7G95	BYNK7G9	0.50	0.53
Class B-Inc	27 February 2018	GB00BDDY6H83	BDDY6H8	0.50	0.53

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details. The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Baillie Gifford & Co Limited
Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com

Ref: 111407